

Remarks by  
John D. Hawke, Jr.  
Comptroller of the Currency  
before the  
Summit on Contingency Planning and Customer Awareness  
President's Council on Year 2000 Conversion  
Washington, D.C.  
April 15, 1999

On behalf of the Office of the Comptroller of the Currency and the Financial Sector Group of the President's Council on the Year 2000 Conversion, it's a pleasure to welcome you to our Y2K summit. Holding these meetings is one way that we as financial regulators recognize the responsibility we share with you in the financial services industry to meet the challenge of the century date change with minimum disruption to our financial system and our economy.

Today's summit centers on two closely related topics: contingency planning and customer awareness. They are related in this critical sense: the industry's success in meeting its customer awareness goals will largely determine whether contingency plans will have to be activated or whether they can stay on the shelves, as all of us would prefer. Given this sequence and the limits of time this morning, I thought that I would focus my remarks on the work already done -- and the work yet to be done -- in educating public opinion on the dimensions of the Y2K problem and what it might mean for bank customers.

Two days ago, in testimony before the House Banking Committee along with representatives of the other FFIEC agencies, I discussed the Y2K readiness of the banks and service providers under the OCC's jurisdiction. The message that I delivered to the Committee was a positive one. I expressed the view that the banking industry would come through the Y2K experience with flying colors. Already, the vast majority of financial institutions have met or will soon meet FFIEC deadlines for Y2K testing and remediation. As of April 1, ninety-seven percent had completed testing of mission-critical systems. In the most recent on-site Y2K examinations conducted by the OCC -- "Phase II" examinations, focusing on bank testing results, business resumption contingency plans, customer risk assessments, and customer awareness programs -- 96 percent of our institutions were rated "satisfactory," four percent were rated "needs improvement," and less than one percent of national banks and service providers were rated "unsatisfactory" -- a statistically-insignificant decline from the results of the fourth quarter 1998 results. And, when this latest round of examinations is completed by the end of July, we and the other FFIEC agencies will be in a position to provide the intensive, high-level attention that may be needed to bring any remaining "unsatisfactory" institutions into full compliance with Y2K requirements before year's end.

Obviously, a great deal of work remains to be done before we can declare the banking system fully Y2K compliant. Our examiners have found that testing efforts are taking longer and costing more than many bankers had originally budgeted for. Some institutions have encountered scheduling conflicts with their service providers or software vendors. Others are expanding their definition of "mission-critical" systems -- generating additional testing requirements now, but reducing the possibility of unpleasant surprises later, when time to correct them will be in short supply.

So we have good cause to be sanguine. The renovation process is going well -- better, in fact, than we had any right to expect at this time last year. Testing has uncovered few problems that can't be fixed and fixed on time. We're confident that we have the supervisory and enforcement tools to deal with any problems that may require regulatory intervention. For good reason, in my judgment, most objective parties have concluded that no single sector of the economy -- not even the computer software industry itself -- is better prepared than the financial services industry for the century date change.

But that's not what the public seems to think. According to a recent survey, more than 20 percent of respondents believe that the entire banking system will crash as the result of Y2K glitches. Nearly a quarter of those surveyed said that they would probably withdraw all their money from banks, and two out of three said that they were planning to withdraw at least some extra cash. Forty percent agreed with the proposition that ATMs would not work come January 1, 2000. Large minorities expressed the conviction that checks won't properly clear, that banks will lose track of customers' funds, and that people will at least temporarily lose access to their cash. Perhaps most disturbing, nearly half of the survey respondents agreed with the statement that "people will panic and withdraw all their money" from banks.

Why the public is apparently so unimpressed by -- or so unaware of -- the progress in getting bank information systems in readiness for Y2K is a question that demands consideration. There are several possibilities, including a tabloid that recently appeared in the supermarket racks. I'm told that it sells almost a million copies each week. But for every copy that's sold, probably dozens of people thumb through its hyperbolic pages while waiting in the checkout line. This is how fear gets started.

People whose anxieties are aroused by this stuff may then turn to what has become the first source of information -- and misinformation -- in the computer age. When I did an Internet search using the key words "Year 2000 Survival," it generated 479 hits to Web pages such as one that offers the kind of advice one would expect if preparing for a nuclear holocaust. It and others like it take for granted that the financial system will collapse and bring down the rest of the economy with it. That these perceptions are taking hold with noticeable numbers of Americans is confirmed by reports in the mainstream media of long waiting lists for wood-burning stoves and

gas-powered generators, and a surge in orders to processors of freeze-dried food and other emergency items.

There'll always be an element of the population that trades in conspiracies and doomsday theories. Nothing we can do or say is likely to make these folks see the light. And from certain segments of the media we cannot expect much more than negativism and sensationalism. They, too, have their rights.

Our concern -- your concern -- must be with the tens of millions of reasonable Americans who are legitimately concerned -- but still open-minded -- about Y2K. They're hungry for reassurance if we can honestly provide it, but hungry for the truth in any event. The quality of the information they obtain will shape their behavior, for better or worse, and will very largely determine whether sanity and calm -- or something short of that -- prevails in the days leading up to January 1, 2000.

The need is clear. It's not enough to fix your data systems if your customers don't know about it. They have to be informed -- and disabused of whatever misinformation they may have picked up along the way. Unfortunately, the evidence suggests that we have a great deal of catching up to do in this vital task.

In a recent survey, 70 percent of the respondents said they hadn't received any Y2K information from their financial institution. Now, we know from our own surveys that this cannot be true. But it suggests that the materials that banks are sending out have done little to capture customers' attention. Either way, we must do a better job of publicizing Y2K remediation efforts if we expect to be doing any real celebrating next New Year's eve.

That's why it's so incumbent on all of us -- regulators, trade associations, bankers, and other members of the financial community -- to turn our attention NOW to public opinion, to make sure that bank customers receive Y2K information that is complete, accurate, and sober about the accomplishments to date -- and the challenges that remain -- in preparing the financial system for the century date change. We must all work to ensure that customers are kept informed about the steps that financial institutions are preparing to take in the event that everything does not go according to plan. Helping financial institutions to develop the right messages for public consumption -- to build public confidence -- is a key goal of our summit today.

You'll be hearing much more in the course of our discussions -- and in our future communications to the industry -- about specific customer awareness initiatives and "best practices" being undertaken by various financial providers. Let me launch today's dialogue by drawing on the FFIEC's guidance on customer communications to suggest five essential elements of any effective Y2K communications plan.

The first is effective disclosure. A bank should fully and completely disclose its efforts to meet the Y2K challenge. Our research shows that customers want to be informed as to the bank's progress, whether the news is good or bad. Do not succumb to the temptation to sugar-coat the truth or cover up unpleasantness. The public knows there's a problem out there, and to suggest otherwise will only make the good news less credible when it arrives.

The second important element is employee training. Bank staffs at all levels are valuable communications assets. A bank that does not provide sufficient Y2K training risks delivering an inconsistent or misleading message to consumers. Tellers and customer service personnel should be prepared to answer customer questions about Y2K as crisply and accurately as the CEO, for they have wide networks of friends and family who will be intensely curious about bank preparations for Y2K.

The third element is the need to deliver consistent messages across all media. Effective customer awareness programs, we have found, have a core set of messages that are repeated in a variety of ways. Repetition is the key. Studies show that most people don't really absorb a message until they've heard it three times. And the more varied the sources from which they hear it, the more likely it is to register. Reliance on a single delivery mechanism -- brochures or call centers, for example -- may not be sufficient. It's certainly not enough simply to slip a sheet on Y2K into the customer's monthly statement and call that a customer communication program.

Fourth, we cannot overemphasize the need for cooperation with other banks, community leaders, and leading commercial firms. Banks have effectively addressed public concerns through joint cooperative efforts with other public and community business leaders. Cooperative efforts leverage resources and provide an opportunity to present a unified message to the public. For example, some banks are joining with community leaders to host series of town meetings on Year 2000 issues. That's an excellent way of making the most of your resources and getting the message out in an accessible way.

Last but not least, banks should work closely with local media on Y2K issues. The media obviously have tremendous influence on public attitudes. But, with the airwaves and the print media already crowded with inaccurate and sensational stories on Y2K, we cannot assume that journalists will get the message right, on their own, every time. If bankers make themselves available for interviews with local newspapers and television and radio outlets, the odds greatly improve that what gets reported to audiences on Y2K will be balanced and accurate.

Let me emphasize that you're not alone in promoting customer awareness. In recent months we have heard from a great many financial institutions encouraging the regulatory agencies of our government -- state and national -- to become more active in the Y2K public information arena.

These suggestions are well taken. And rest assured that with phase II of the Y2K examination regimen drawing to a close and with the more definitive understanding of the state of industry preparedness acquired in the process, the regulatory agencies will become much more vocal and visible in the coming weeks in communicating with bank customers and the general public on Y2K.

For example, the FFIEC member agencies have formed a communications group to coordinate messages and share ideas and techniques to better reach target audiences. Soon to enter production is a video that banks can show in their lobbies, explaining the FFIEC's Y2K supervisory efforts and all that banks must do to meet their regulatory requirements. We are developing media kits including Y2K questions and answers and other useful material for journalists, government officials, and other interested parties. I -- along with my FFIEC counterparts -- will be speaking out on this subject with increasingly frequency as the clock winds down to the Year 2000.

And what I'll be saying is this: thanks to the combination of their own pace-setting remediation efforts and the intensive program of agency oversight, the banking industry will pass the Y2K test, and pass it with flying colors.

Rumor and gossip are potentially as grave a threat to our Y2K readiness as time itself. Left unchecked, they can do great harm to public confidence in the banking system. Direct communication with bank customers is the best way I can think of to conquer fear and falsehood - and our best assurance of a bright New Year's Day 2000.

The 20th century has been a time of challenge for all Americans. War, depression, and social unrest have tested us as a nation and brought out our best qualities as a people. It seems somehow fitting that this century should come to an end on a similar note of challenge. We in the financial services industry and the financial regulatory community have already cleared some significant hurdles to ensuring that the century change passes relatively uneventfully. What now remains is for us to prevail on the good common sense -- and courage -- of the American people in how they approach the Year 2000. If we do that job to the best of our abilities, I'm confident that we won't be disappointed by their response.